

Chicago Climate Exchange®



EPA AgSTAR

April 25, 2006

Nathan Clark (312) 554-0819

www.chicagoclimateexchange.com

CHICAGO CLIMATE EXCHANGE, INC.



What is Chicago Climate Exchange?

Chicago Climate Exchange (CCX[®]) is the world's first and North America's only voluntary, legally binding pilot greenhouse gas reduction and trading program for emission sources and offset projects in North America and elsewhere.

CCX Members

Aerospace and Equipment

Rolls-Royce

Automotive

Ford Motor Company

Chemicals

Dow Corning

DuPont

Diversified Manufacturing

Bayer Corporation

Interface, Inc.

Ozinga Bros

Electric Power Generation

American Electric Power

Central Vermont Public Service

Green Mountain Power

Manitoba Hydro

TECO Energy, Inc.

Electronics

Motorola, Inc.

Environmental Services

Waste Management, Inc.

Food Processing

Premium Standard Farms

Forest Products

Abitibi-Consolidated

Aracruz Celulose S.A.

International Paper

Klabin S.A.

MeadWestvaco Corp.

Stora Enso North America

Temple-Inland Inc.

Information Technology

IBM

States, Municipalities

State of New Mexico

City of Boulder

City of Chicago

City of Oakland

City of Portland

Pharmaceuticals

Baxter Healthcare

Private University

Tufts University

Public Universities

The University of Iowa

University of Minnesota

The University of

Oklahoma

Recreation

Aspen Skiing Company

Semiconductors

ST Microelectronics

Steel

Roanoke Electric Steel
Corp.

Transportation

Amtrak

CHICAGO CLIMATE EXCHANGE, INC.



CCX Associate Members

Architecture/Planning

Mithun, Inc.

Associations

Confederation of British Industry

Brokerage Services

Amerex Power

Consulting

Domani LLC

Global Change Associates

Natural Capitalism, Inc.

Rocky Mountain Institute

Energy and Management Services

Airtricity

Orion Energy Systems Ltd

Sieben Energy Associates

Thermal Energy International

Engineering

Vanasse Hangen Brustlin, Inc.

Financial Services

Access Industries, Inc.

MB Investments, LLC

Information Technology

Open Finance LLC

Intercontinental Exchange

Legal Services

Foley & Lardner

Non-Governmental Organization

American Coal Ash Association

American Council on Renewable Energy

Delta Institute

Houston Advanced

Research Center

Midwest Energy

Efficiency Alliance

World Resources Institute

Private College

Presidio World College

Risk Management

The Professional Risk Managers'

International Association

Religious Organization

Jesuit Community of Santa Clara University

Retiring/Offsets

Carbonfund.org

SRI Fund

Pax World

Technology

Millennium Cell

Polar Technology

TerraPass

CHICAGO CLIMATE EXCHANGE, INC.



Participant Members

Offset Aggregator

Iowa Farm Bureau
Environmental Credit Corp.
First Capitol Ag Group
The Delta Institute
North Dakota Farmers Union

Offset Provider

Resource Technology Corp.
Restoration Soil & Research, Ltd.
Sustainable Forestry Management, Ltd.

Selected Liquidity Providers

AGS Specialists LLC
Calyon Financial, Inc.
Thomas H. Dittmer
First New York Securities LLC.
Goldenberg, Hehmeyer & Co.
ICAP Energy LLC

Liquidity Providers Cont.

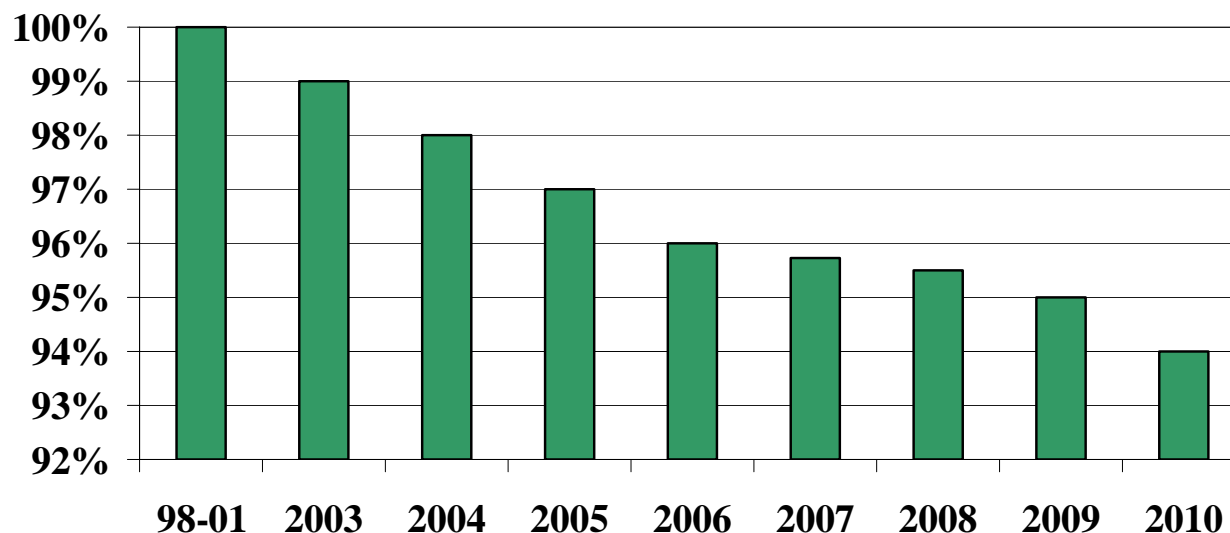
Christopher J. Johnson
Kottke Associates, LLC
The League Corporation
Marquette Partners, LP
Glenn M. Miller
Douglas M. Monieson
Natsource LLC
Peregrine Financial Group
Brian Rice
Serrino Trading Company
Shatkin Arbor, Inc.
Swiss Re
C. Richard Stark, Jr.
Jeffery B. Stern
Lee B. Stern
TradeLink LLC
Tradition Financial Services
TransMarket Group LLC

CCX Market Architecture (2003-2010)

Phase I: Members make a legally binding commitment to **reduce or trade** 1% per year from 2003-2006, for a total of 4%, below a baseline avg of 1998-2001.

Phase II: Members make a legally binding commitment to reduce **6%** below baseline by **2010**.

CCX Emission Reduction Schedule



- Independent standardized verification—important value
- Annual true-up
- Pre-defined offset projects
 - Sequestration: reforestation, agricultural soils
 - Landfill and agricultural methane destruction

CCX[®] Comprehensive Market Structure

Electronic Market Registry

You are logged in as mstern_ccx @ CCX View Only Company
Logout

Select Organization: CCX View Only Company CHICAGO CLIMATE EXCHANGE
Registry Position Summary Page v1.0.6

CCX View Only Company
Organization Summary
Positions Summary
Transaction History
Emissions Summary
Admin

Chicago Climate Exchange Position Statement
Organization: CCX View Only Company
as of: Sun, Feb 15, 2004

Direct Emission Baseline: 0 metric tons CO2 equivalent (unaudited)

1. Total holdings of CCX Carbon Financial Instruments
(Exchange Allowances plus Offsets plus Early Action Credits, in hundred metric tons CO2)

Vintage:	2003	2004	2005	2006
Total CFI Holdings:	0	0	0	0

2. Exchange Allowance holdings

Vintage:	2003	2004	2005	2006
Original Allocation of Exchange Allowances:	0	0	0	0
Item	Action			
1% auction pool withholding	debit	0	0	0
bought in sept 2003 auction	credit	0	0	0
current holdings		0	0	0

3. Exchange Offset holdings

Vintage:	2003	2004	2005	2006
Holdings of exchange offsets:	0	0	0	0

4. Exchange Early Action Credit holdings

Vintage:	2003	2004	2005	2006
Holdings of Exchange Early Action Credits:	0	0	0	0

All Carbon Financial Instrument quantities are rounded to the nearest hundred metric tons CO2

Comprehensive Rules System

- Emitters: Standard baseline, multi-year allowance stream equal to reduction targets
- Offset Providers (project credits)
- Liquidity Providers
- Associate Members

Web-
accessible
Electronic
Trading
Platform

ChicagoClimateExchange - mstern_ccx @ CCX View Only Company

View Admin Help Logout

Kill All Live Only Deal Reports

Orders Deals Greenhouse Gases

Strip	Sell	Qty	Bid	Offer	Qty	Buy	High	Low	Last	Volume	+	-	Pin
Vintage 2003				0.92	100								
Vintage 2004	5	0.90	0.93	59	0.93	0.91	0.92		196				
	20	0.80	0.97	30	0.93		0.91						
			0.98	10			0.91						
			0.99	10			0.92						
							0.93						
Vintage 2005			0.96	100	0.93	0.93	0.93		25				
			0.98	25									
Vintage 2006													

CCX CFI - Carbon Financial Instrument - Vintage 2005, 25 @ 0.93 (Jan 29, 2004 13:21:00 CST)
CCX CFI - Carbon Financial Instrument - Vintage 2004, 25 @ 0.92 (Jan 29, 2004 13:19:33 CST)
CCX CFI - Carbon Financial Instrument - Vintage 2004, 16 @ 0.93 (Jan 29, 2004 11:47:44 CST)
CCX CFI - Carbon Financial Instrument - Vintage 2004, 5 @ 0.91 (Jan 29, 2004 11:23:54 CST)
CCX CFI - Carbon Financial Instrument - Vintage 2004, 100 @ 0.91 (Jan 29, 2004 10:07:54 CST)
CCX CFI - Carbon Financial Instrument - Vintage 2004, 25 @ 0.92 (Jan 29, 2004 10:07:54 CST)
CCX CFI - Carbon Financial Instrument - Vintage 2004, 25 @ 0.93 (Jan 29, 2004 10:07:24 CST)

13:24:06 CST

CHICAGO CLIMATE EXCHANGE, INC.

CCX Offset Rules, Processes

- General: if the offsets from the proposed project is owned by an entity with significant direct emissions ($>10,000$ tpy), then that entity must become a full-fledged CCX member
- Conservative crediting – discounts, but less admin cost
- All Offsets have value equal to each other and to allowances
- Offsets Committee has full discretion to approve or not
- All projects verified by designated entities, review by NASD
- Once approved, issuance can be handled by staff, report to committee
- Forestry Committee reviews specific forest project rule issues
- Clear ownership must be established

CCX Offset Project Verification

- CCX Rules define eligible projects, verification requirements
- Each project must be approved by CCX Offsets Committee
- All verification reports examined by NASD

CCX-Approved project verifiers

Forestry Projects

BVQI

SGS (Societe General de Surveillance)

Landfill Methane Projects

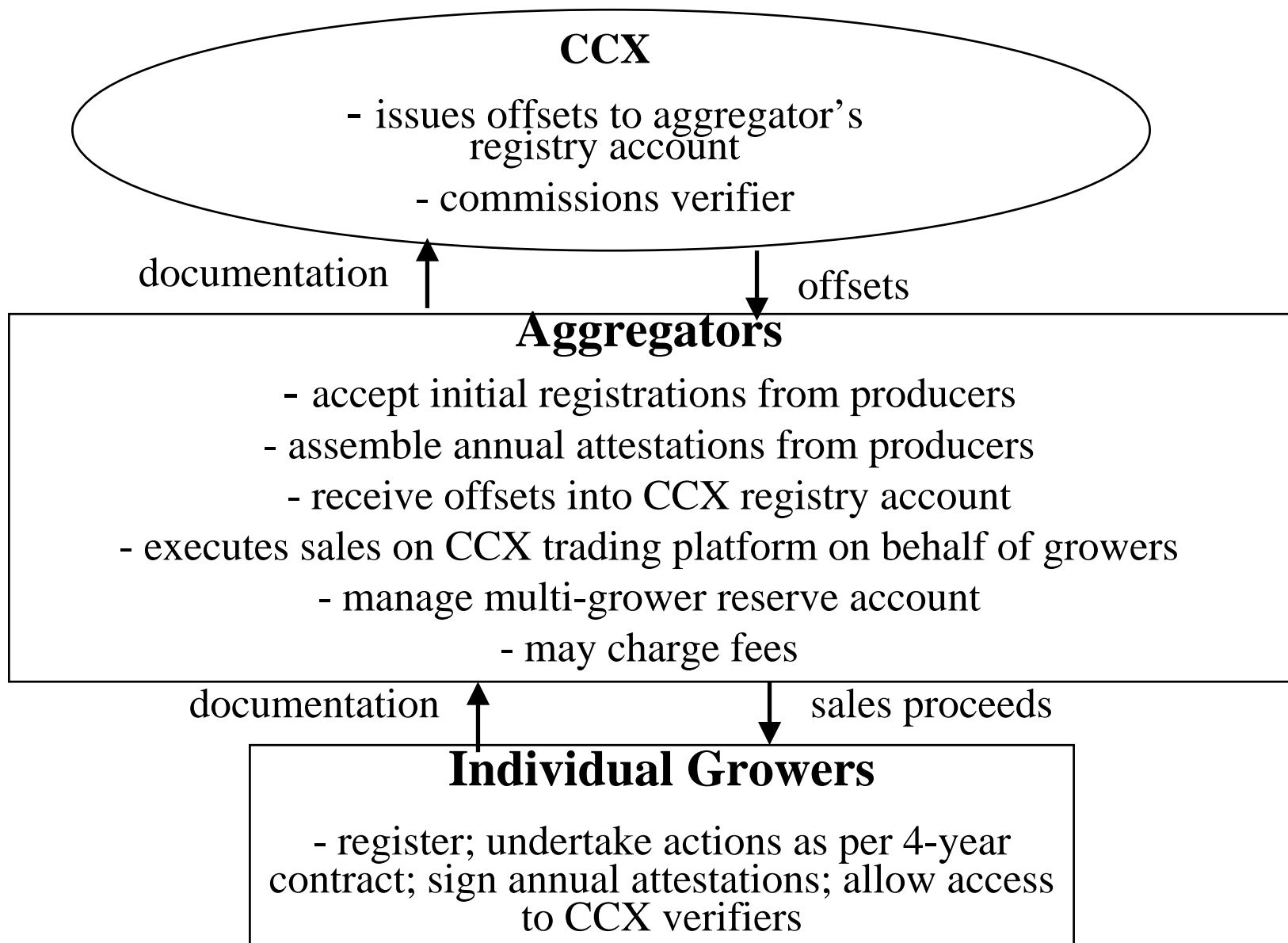
Det Norske Veritas (NV)

First Environment, Inc.

Agricultural Soil and Agricultural Methane Projects

SES Inc.

Mechanics of Ag Offset Aggregation in CCX®



CCX Offset Projects Enrolled

- Landfill methane: Waste Management (IN, TX)
- Agricultural methane: Environmental Credit Corp., Premium Standard Farms (MN, WA, TX)
- Agricultural soils: Iowa Farm Bureau, Delta Institute (midwest)
- Reforestation: Precious Woods (Costa Rica)
- Fuel switching: IdleAire (CA, TX)
 - Offsets equal to approximately 1 million metric tons CO₂ generated to date

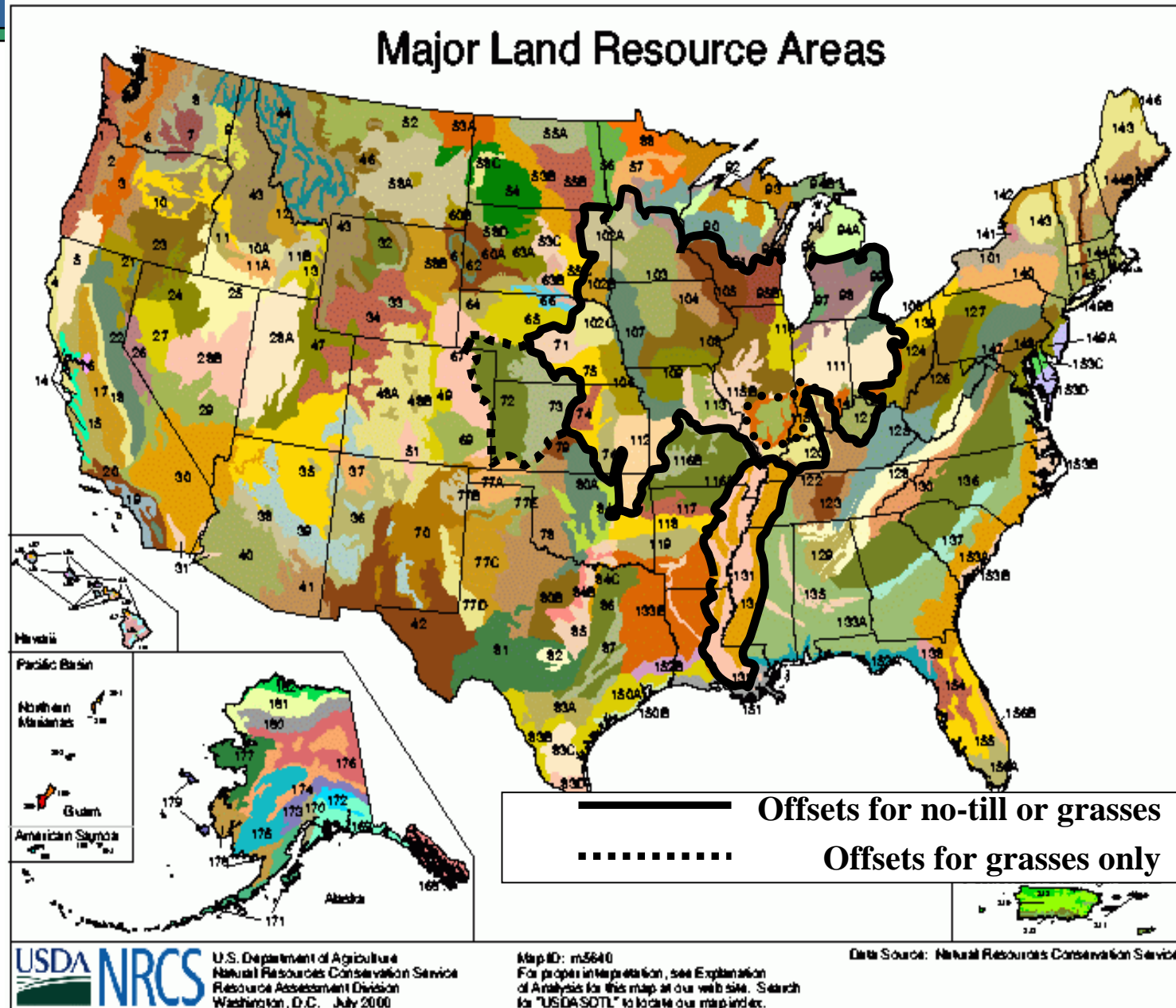
CCX Ag Methane Project Rules

- Collection/combustion projects placed into service after 12-31-98
- Can be covered lagoon or digester (tank system)
- Crediting period is 2003-2006 (initial)
- Crediting rate: 18.25 metric tons CO₂ per ton of methane combusted
- Verification requirements:
 - project start date, ownership
 - gas flows, meter calibration
 - methane content (or use conservative defaults) or implied methane burn based on electricity production

Agricultural soil sequestration offsets in CCX[®]

- Focus first on well-documented actions with clear ownership
- CCX Special Committee on soil carbon provided guidance on annual carbon gains, geography
- Simplified crediting: verify practices, credit at discount *issuance quantities*:
 - Continuous no-till (2003-06) in central U.S.:
0.5 metric tons CO₂/acre/yr
 - Grasses, planted after 1-1-99, central U.S.:
0.75 metric tons CO₂/acre/yr

U.S. Central Region for CCX[®] Agricultural Soil Offsets



CHICAGO CLIMATE EXCHANGE, INC.

Global Carbon Stocks and Flows

- Annual global emissions: 30 billion metric tons CO₂
 - US emissions ~ 6 billion metric tons CO₂
- Carbon stored in forests 2,200 billion metric tons CO₂
- **Forests store 74 years worth of global emissions!!**
- Carbon stored in top meter of soils: 5,500 billion metric tons CO₂
- **Soils store 183 years worth of global CO₂ emissions!!**
- **Bottom line: massive potential for win-win carbon mitigation through forest and soil sequestration.**

Emissions Displacement Credits vs. Methane Destruction Credits

CCX rules allow for two potential revenue streams from digesters/covered lagoons:

1. Methane Destruction Credits: Credits stemming from the combustion/destruction of methane or the use of methane for energy or heat.
2. Emission Displacement Credits: Credits generated from the displacement of fossil fuel emissions on the electricity grid.

Owners of eligible projects may receive credit for methane destruction with or without ownership of emission displacement credits.

Frequently Asked Questions

Q: Is my project still eligible if I sell the energy generated to an outside party?

Q: What if I sell the energy as “green energy”?

Q: Can I sell my credits into the European Emissions Trading Scheme?

Q: What kind of documentation do I need to provide in order to receive credit?

Q: How many offset credits will I get?

Q: How much money will I receive for my credits?